

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

JANUARY 28, 2002

IN RE:

UNITED CITIES GAS COMPANY

ACTUAL COST ADJUSTMENT (ACA) AUDIT

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DOCKET NO. 01-00774

**ORDER ADOPTING ACA AUDIT REPORT OF TENNESSEE REGULATORY
AUTHORITY'S ENERGY AND WATER DIVISION**

This matter came before the Tennessee Regulatory Authority (the "Authority") at a regularly scheduled Authority Conference held on December 18, 2001, for consideration of the report of the Authority's Energy and Water Division (the "Staff") resulting from the Staff's audit of United Cities Gas Company's (the "Company") annual deferred gas cost account filing for the year ended June 30, 2001. The Actual Cost Adjustment Audit Report (the "Report" or "ACA") is attached hereto as Exhibit A.

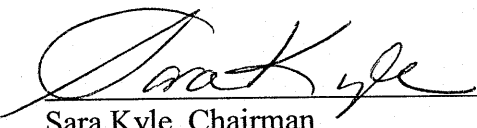
As stated in the Report, the Company made its ACA filing for the Union City, Tennessee service area as well as Tennessee service areas other than Union City on August 31, 2001, and the Staff completed its audit of the Company's filing on November 26, 2001. The Company's filing showed \$136,938,015 in total gas costs, with \$143,156,580 being recovered from customers through rates. The beginning balance in the Company's ACA account was \$769,727 in over-recovered gas costs from the preceding ACA period, and interest due from current period was \$293,298. Thus, the Company showed an ACA balance at June 30, 2001 of \$6,694,993 in over-recovered gas costs. According to the Report, the Company began refunding this amount to

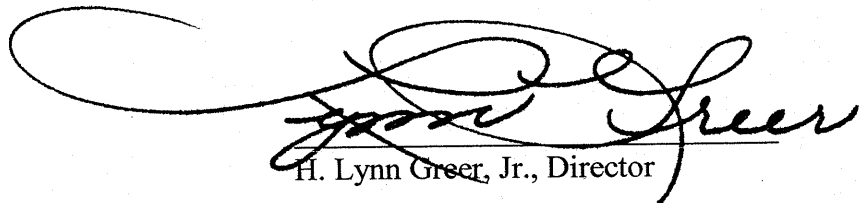
its customers on October 1, 2001. The Report further states that the Staff made no material findings in the course of its audit.

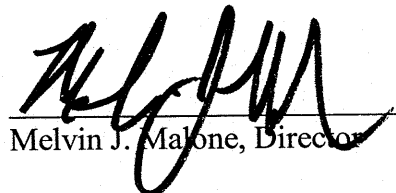
After consideration of the Report, the Authority unanimously approved and adopted the findings and recommendations contained therein.

IT IS THEREFORE ORDERED THAT:

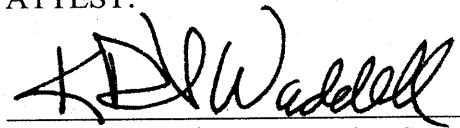
1. The Actual Cost Adjustment Audit Report relative to United Cities Gas Company, a copy of which is attached to this order as Exhibit A, is approved and adopted, and the findings and recommendations contained therein are incorporated in this Order as if fully rewritten herein; and
2. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary